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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Jamesway president Arlie Lazarus will be honored as Discounter of the Year at the SPARC awards banquet this month. (DSN photo)

Jamesway's Lazarus: Excitement Undimmed

By Tony Lisanti

SECAUCUS, N.J. — Hustling from meeting to meeting, office to office, store to store, Arlie Lazarus displays the enthusiasm of a little kid at a baseball game. After 19 years with Jamesway, he still approaches each task with the excitement of opening day and the confidence of a champion.

"It's been a fun business," said the 49-year-old Lazarus smiling. "The people are great. The Jamesway employees mean a lot to me personally, and they have certainly contributed to the growth of the company."

Lazarus certainly has a high esteem for the chain's employees. And rightfully so, as the discounter claims a longevity among key store personnel that is hard to maintain in to-

(Continued on page 10)

$40M Write-Off Strengthens Zayre for Long-Term Growth

By Peter Hisey

FRAMINGHAM, Mass. — Zayre Corp., the 340-store discounter based here, has taken a controversial $40 million write-off in the second fiscal quarter that could make the chain a much more competitive force in the discount marketplace.

News Analysis

"We got rid of a lot of slow-moving merchandise to make room for more attractive products," Zayre Corp. chairman Maurice Segall told *DSN*.

"We are disappointed in the performance of our largest division, the Zayre Stores," Segall said. "Accordingly, we are taking corrective actions and are instituting a series of programs aimed at enhancing our price/value image, improving our merchandise assortments and strengthening operations."

Observers waiting for something to happen since the resignation of Malcolm Sherman as chairman of Zayre Stores weren't disappointed as Segall, who assumed responsibility of day-to-day operations, cut prices on 300 name brand hard lines items.

"We needed to clear slow-moving merchandise and become more competitive on selected brand name items," Segall emphasized.

Segall said that Zayre would reduce prices on "approximately $50 million worth" of slow-moving inventory and has taken "appropriate" permanent price reductions on certain branded merchandise to enhance the chain's "competitive posture."

Segall also announced an increase in television advertising, a reformatting of company circulars and the impending introduction of "several new and exciting marketing programs." The

(Continued on page 90)

Zayre Testing Tire Sales In Shuttered Service Bays

By Richard C. Halverson

FRAMINGHAM, Mass. — Zayre has started to experiment with wholesale tire centers as a way to use the space left empty when it closed its 105 automotive service centers last month on two days notice.

Charge-offs for the closings were an undetermined portion of about $40 million in write-offs that Zayre announced July 16 will result in a loss of $10 million to $15 million in the second quarter ended Aug. 1.

Of the closed service centers, 10 were scheduled at presstime to reopen Aug. 2 as wholesale tire outlets, offering deep discount prices intended to make them competitive with Zayre's own BJ's Wholesale Club outlets. Zayre slashed tire prices about 23 percent from what it was charging, said an employee at one of the automotive centers expected to be converted to wholesale tire sales.

"Prices will beat BJ's," the source said. Zayre will operate on the meet or beat any price basis, he added.

The Zayre tire centers will continue to carry the same

(Continued on page 89)

Considers Rapid Expansion

Hart's Unveils Upscaled Prototype

FAIRFIELD, Ohio — Hart's, the discount department store chain headquartered in Columbus, Ohio, introduced last month in this suburb of Cincinnati a new high-tech-look prototype store, which it expects to incorporate into all 27 of its discount stores during the next few years.

The new look comes at a time when the chain is considering rapid growth through acquisitions and is riding the crest of "another record year and fourth quarter" as its fiscal year ends this month.

David Godfrey, president of the $187 million chain, said that the company is looking at several discount stores, some of which have been closed, in nearby markets.

"The stores [now under consideration] are in good loca-

(Continued on page 26)

Spanish Teleshopping Show to Air

By Arthur Markowitz

HOUSTON — Entertainment Marketing plans to start broadcasting "Telecompras," a daily one-hour Spanish-language teleshopping show this fall in a joint venture with Univision, the nation's largest Spanish TV network.

"Telecompras" will be a condensed edition of the "Consumer Discount Network," a round-the-clock teleshopping show that is a joint venture between Entertainment Marketing and K mart.

"Telecompras" will be aired first as a taped show, with the goal of going live. It could debut as early as next month on Univision's Spanish-language movie network, GalaVision, which runs on about 250 cable TV systems. A start-up date hasn't been set for broadcasts on Univision's affiliated TV stations, 13 full power and 15 low power outlets.

Sales for the new show in its first full year are projected at $100 million by Univision president Jaime Davila.

(Continued on page 89)

Nat'l Hardware Show: The Main Event

Record attendance of 23,000 at the Lawn, Garden & Power Equipment Expo, held July 27 to 29 in Louisville, Ky., shows it has garnered a strong following. However, buyers came away with the impression that it was just a preliminary for the main event in Chicago, Aug. 9, the National Hardware Show. A show preview begins on page 47.

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MARKETWATCH

EM Withdraws $8 Bid for Crazy Eddie

HOUSTON — Entertainment Marketing withdrew its $8 per share bid for Crazy Eddie and said it will wage a proxy fight if Eddie Antar and his group do not proceed with their $7 per share offer. Elias Zinn, EM's chairman, said he will consider making a lower bid for the chain if information he has been requesting is obtained. Crazy Eddie has agreed to supply EM with a list of shareholders. "We are still very interested in the company but not interested in the $8 bid anymore," Zinn said. EM recently increased its investment in Crazy Eddie and currently owns 1.7 million shares or 5.3 percent of the 31 million shares outstanding. The stock was selling at about $5.50 in late July.

Buyer's Club Enters 'Warehouse Valley'

LOS ANGELES — Denver-based Buyer's Club entered Southern California's "warehouse valley" last month with a membership club in San Bernardino and plans a second club in Pomona later this year. Both are in the San Gabriel Valley, east of L.A., which contains membership warehousers such as PACE, Price Club, Price Savers, Costco, HomeClub and All American SportsClub. Buyer's Club was spun off last year as a separate company from Union Hall, the two-unit discounter in Rockford, Ill.

Target Opens 1st Reformatted Gemcos

MINNEAPOLIS — Target opened its first wave of reformatted Gemco stores in late July, as the discounter's plans remained on schedule for the reopening of all 50 former Gemcos by December. This group of former Gemcos comprised 13 of 19 stores Target opened that month.

Wal-Mart Expands into Arizona Market

BENTONVILLE, Ark. — Wal-Mart will expand into Arizona with four stores in 1988. The chain has picked secondary cities for its market entry, with sites in Flagstaff, Casa Grande, Show Low and Thatcher. The Flagstaff unit will be 81,000 square feet; the others 66,000 square feet.

Quick Response Session at SCAN-TECH

PITTSBURGH — Quick Response will be the topic of a retail-focus session at next month's SCAN-TECH show and seminar on identification technologies. The session, "Quick Response-The Retailer/Vendor Connection," will be held Thursday, Oct. 15 from 8 a.m. to 10 a.m. at Bartle Hall, Kansas City. SCAN-TECH, which will feature 32 sessions, runs Oct. 13 to 15, with seminars starting Oct. 12. Participating in the Quick Response session will be David Carlson, corporate vp, K mart; R. Vincent Conant, chairman, Carter Hawley Hale; and Randall Nord, vp, Kurt Salmon Associates. They will discuss how bar coding can help retailers better control inventory, finance and production levels, as well as speed up response time with vendors. Information on this session and SCAN-TECH is available from AIM, 1326 Freeport Rd., Pittsburgh, Pa. 15238. Phone: (412) 963-8588.

Sizes Unlimited to Exit Off-Price Biz

By Kenneth M. Chanko

COLUMBUS, Ohio — The Limited Inc., based here, will be abandoning the off-price business in the large-size women's market when it merges its Sizes Unlimited division into its Lerner Woman division.

The new division will retain the Lerner Woman name but its headquarters will be based in Sizes Unlimited's offices in Secaucus, N.J. Raphael Benaroya, president and chief executive officer of Sizes Unlimited, will be president.

A spokesman for Sizes Unlimited told *DSN* it was decided that Sizes Unlimited "should upscale its business." He empnasized that the 262-unit chain, with stores averaging 3,500 square feet, has been doing well in the off-price business on a store for store basis. Sales last year totaled $240 million. This reflected the closing of a number of Picadilly stores that Sizes Unlimited acquired. Sizes Unlimited is currently the nation's eighth largest apparel off-pricer.

The spokesman said the merger is officially effective Aug. 2, but that there is no timetable for store level changeover in terms of the Sizes Unlimited signs coming down and the new Lerner Woman signs going up. He added that the Lerner Woman name was kept because of its higher identity in the market.

Lerner Woman, an offshoot of The Limited's Lane Bryant large-size division, was started nine months ago and is operated by Lane Bryant. The 88 stores sell inexpensive but full-price apparel for the large-size woman.

The number of stores of the new division is expected to hit 550 by year-end, with expansion planned in strip malls, where Sizes Unlimited units are located, as well as enclosed malls, where current Lerner Women stores are located.

Instead of having three divisions in the large-size market, The Limited will now have two, Lerner Woman and Lane Bryant. It will reportedly focus on the younger, junior customer, while Lane Bryant will target the more mature, career-oriented customer.

Cataloger Relocates; Searches for VP

ERIE, Pa. — Cataloger Dahlkemper's last month relocated its headquarters to larger quarters in Erie and plans to make a similar move for its Wexford, Pa., showroom later this year.

Besides its relocation activities, Dahlkemper's is continuing to search for a vice president, merchandising, to fill the post left vacant by the death of Robert Schultz, 56, who had been with the company for 17 years.

A well-known figure in the showroom industry, Schultz launched such innovative programs at Dahlkemper's as direct importing and tabloid advertising.

As for its two relocations, the $62.3 million company moved its headquarters to a two-story building at 5120 Peach Street, and is using 25,000 square feet on the second floor for offices and 9,000 square feet in the basement for storage and its sign shop.

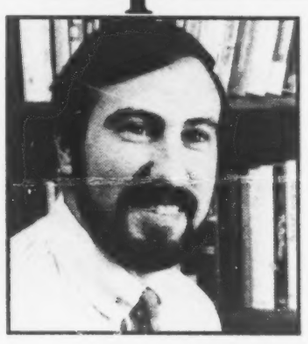
The current 45,000-square-foot Wexford showroom will be relocated to the former 70,000-square-foot Horne Department Store in the Northway Mall. Besides enabling Dahlkemper's to enlarge the size of all the showroom's departments, the new location places the cataloger close to the new Ross Park Mall that opened last November and has become the shopping core of the Wexford market, a company executive said.

The company's phone number has been changed to (814) 864-4054.

DSN Promotes 2 to Top Editing Posts

NEW YORK — *DSN* publisher Fred Filer announced the promotions of Tony Lisanti to editor and Don Longo to executive editor of *Discount Store News*.

Lisanti



Longo

Lisanti joined *DSN* as executive editor in July 1986. Previously, he was with Bill Communications, since 1980; his most recent position was executive editor of *Restaurant Business*. Lisanti holds a B.S. in communications from St. John's University, New York, and also attended New York Institute of Technology.

Longo joined *DSN*'s parent, Lebhar-Friedman, in 1981 as desk editor on *Nation's Restaurant News*. A year later, he became managing editor of *National Home Center News*, and in 1985 was named senior editor. Longo became managing editor of *DSN* in January 1987. He holds a B.A. from C.W. Post Center, Long Island University, New York.

FOR THE RECORD

Best Products' projected store count for the end of this year is 194 units, the same as at the start of 1987, not 101 stores as reported in the top 100 chart, July 20, page 27.

Luskin's is based in Baltimore, Md., not Madison, Wis., as reported on the top 100 chart. It was listed correctly on page 39.

"Shopping Line," "ValueTelevision," "America's Marketplace," "Crazy Eddie's World of Home Entertainment" and "Shopping Club" are teleshopping shows that aired and were eventually canceled, not planned shows that were never broadcast as was implied in the Electronic Retailing column of July 20. "American Catalog Shoppers Network" was a planned show that was never broadcast.

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DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—8/10,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Answers to questions below appear somewhere else in this issue.*

25 Years Ago This Week:

Not Pulling Punches: A retail union official called polygraph tests "communistic, fascistic, or both."

1. What discounter reputedly caused a jump in commercial rents because it attracted so many people to its New York City store?
a) Bradlees;
b) K mart;
c) Korvettes.

20 Years Ago This Week:

Looking for a Few Good Pharmacists: Heck's closed pharmacies in its stores due to a shortage of store pharmacists.

2. Comedian Jack Benny agreed to put his image on the line for what discounter?
a) Zayre;
b) Bradlees;
c) K mart.

10 Years Ago This Week:

Pressure Applied: Levi jeans came under heavy FTC pressure to end its ban on sales to discounters.

3. A study reported 75 percent of Americans believed that "some or most" TV and newspaper advertising is:
a) Seriously misleading;
b) Usually accurate;
c) More entertaining than the editorial content.

5 Years Ago This Week:

And An Hour Later, You're Fashion Hungry: Apparel imports increased nearly 40 percent from April to May.

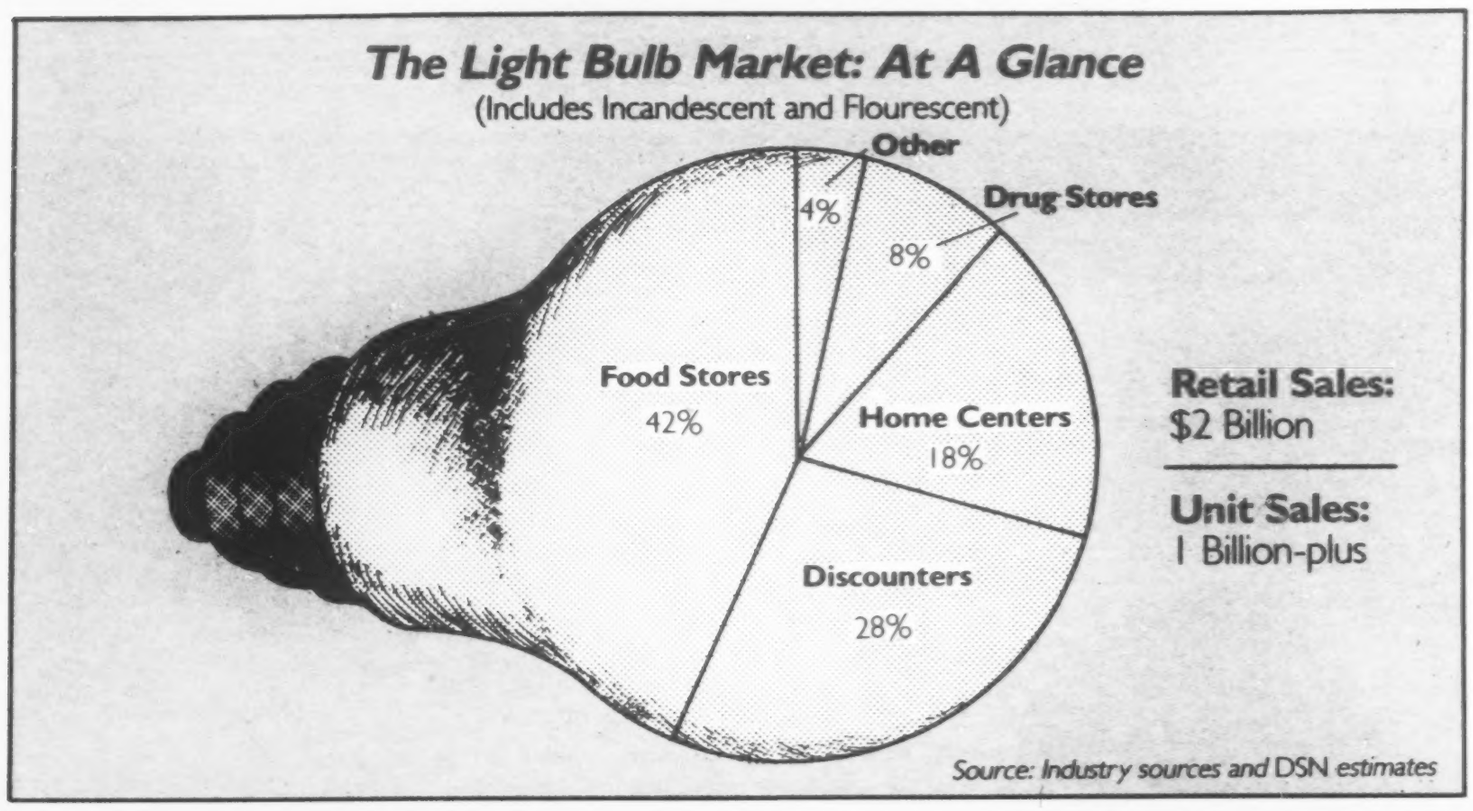
4. What chain entered upstate New York via the purchase of 7 Twin Fair units?
a) Venture;
b) Caldor;
c) Gold Circle.

1 Year Ago This Week:

Separate but Equal: May Department Stores said its Venture and Caldor chains will be run independent of each other, contrary to speculation.

*5. Who said, "I think they're (*National Enquirer *and* The Star*) pornographic because they're insulting to the sensibilities and the intelligence. Nevertheless, our customers love them, so we... leave them in"?*
a) Sam Walton;
b) Malcolm Sherman;
c) Sol Price.

Light Bulb Sales Brighten at Discounters, But Margins Fade



By Laura Liebeck
Nationwide DSN Report

Recently, Caldor was selling General Electric Miser outdoor flood or spot light bulbs for $2.50 each after a $1 mail-in rebate.

The regular price is $5.99 per bulb, according to published ads.

BJ's Wholesale Club was selling a three-pack of GE 150 watt indoor/outdoor Miser flood lights for $9.52, or $3.17 per bulb, a recent in-store visit revealed.

And, S.E. Nichols sells Safe-T bulbs, its import line, for 88 cents for two, said Bob Bloom, merchandise manager.

Retailers are selling a lot of bulbs at these sharply reduced prices, but at the expense of profit. Light bulbs have very nearly become a price-only business at retail for discounters. Margins have dropped so low that they are approaching loss leader status, and retailers and manufacturers are growing nervous.

Last year, light bulb sales to retailers increased a little more than 1 percent to more than 1 billion bulbs, according to several industry sources.

While some experts estimate retail sales growth at about 3 percent nationally, light bulb sales growth was three times that figure for discounters—including membership clubs—last year.

Light bulbs, or lamps, are a $2 billion industry at retail, according to estimates by the National Electrical Manufacturers Association.

Sales through discount and mass merchandise stores rank second only to supermarket chains, taking approximately 28 percent of the market. And that figure is growing, said the association. In fact, bulb sales through these channels are so good, some experts speculate discount stores will eventually "overtake" supermarkets as the primary retail source.

> ***Light bulbs 'sell like bananas: in bunches.'***
>
> —George Glidden, divisional merchandise manager, K mart

In the meantime, competition among all kinds of retailers for a greater share of the light bulb market has forced prices down sharply, making the sales climate almost frantic. This is especially noteworthy since only a few years ago light bulbs were thought of merely as a standard stock item.

Light bulbs "sell like bananas: in bunches," said George Glidden, divisional merchandise manager for K mart, Troy, Mich. He added that the giant discounter will do what is has to in order to "stay competitive" and assure sales.

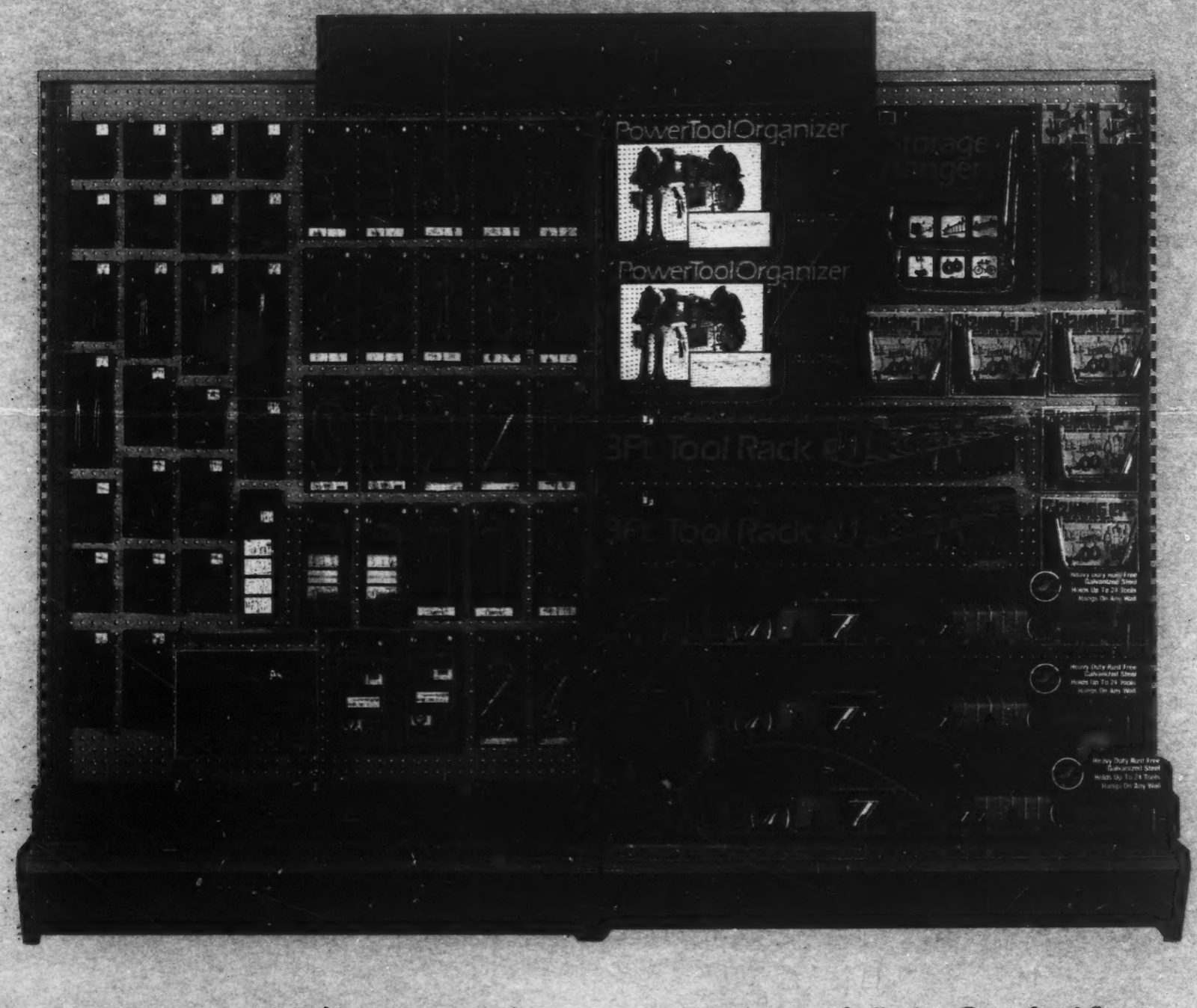
The light bulb category is so competitive that many retailers, including Caldor and Jamesway, refused to discuss the product with *DSN*.

The activity and growth have been fueled by the industry's three largest manufacturers, GE, the undisputed industry giant, North American Philips Lighting and GTE Sylvania. All three have committed themselves to product and program innovation, sharp pricing and aggressive advertising and promotional campaigns intended to build brand name association, drive sales and, hopefully, raise prices.

In addition, the manufacturers are trying to thwart the advances from lower priced imported light bulbs now encroaching on the American marketplace, chiseling away market share and driving down bulb prices.

(Continued on page 52)

A Red Hot Category!
Crawford's Home Storage/Organizer Program



Crawford's Storage/Organizer program will be sure to fire up your DIY sales in this fast-selling category. These hard-hitting products are designed to meet the storage needs of all your customers . . . with the minimum number of SKU's.

The Crawford program includes a best-selling selection of tool organizers and racks, vinyl-coated storage hooks and brackets and a complete assortment of peg hooks. Each product features colorful, award-winning packaging that will catch your customer's eye and quickly close the sale.

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F. PKG. OF 4 SAFE-T™ BULBS $1
G. PKG. OF 2 CHANDELIER BULBS $1
H. PKG. OF 2 VANITY LAMPS, 25 OR 40 WATT 2 FOR $3
J. ASSORTED NIGHT LIGHTS WITH BULBS 2 FOR $3
K. INDOOR/OUTDOOR FLOOD LAMP, 75 OR 150 WATT $3

Light bulbs were lead items in a recent 12-page supplement for Ann & Hope's week-long Dollar Days sale.

Discounters' Bulb Sales Brighten; Price Points, Profit Margins Fade

(Continued from page 50)

Manufacturers have become more aggressive in selling retailers and in communicating with consumers through the media, rebates and cents-off coupons.

Increasingly, retailers are stocking their shelves with product from two or more sources to build traffic and upgrade consumer purchasers.

K mart, a longtime GE outlet, which also sells an imported line of bulbs, has just decided to install the Philips longer-life light bulb program in 40 stores, the largest ones.

Eugene O'Donnell, vice president and general merchandise manager at Canton, Mass.-based Hills Department Stores, said the environment is so competitive that "it's not just GE's business anymore."

Since 1982, light bulb prices have actually eroded, a victim of fierce competition providing "some price points that make us shudder," said the GE spokesman.

For example, a four-pack of 60 watt soft-white light bulbs sold for about $2.99 in 1982 but now sell for $2.29 to $1.92 or even lower on sale, observed Joe Sullivan, marketing manager for GTE Sylvania.

Most Bulbs Sold on Sale

Typically, light bulbs earn discount retailers gross margins of 25 percent to 35 percent. But most light bulbs are not sold at regular price. They are sold on sale where gross margins have eroded to between 10 percent and 15 percent and sometimes less.

At K mart, gross margins for branded sale bulbs range from 5 percent to 10 percent, said Glidden.

New York City-based S.E. Nichols hasn't lowered its margins that much but reports gross margins on its imported line earn the retailer 50 percent even when the price is two bulbs for 88 cents, said Bloom, compared to 10 percent to 15 percent for branded bulbs on sale.

Smitty's, Phoenix, Ariz., keeps margins in line—20 percent to 40 percent—by buying directly from the manufacturer in large quantities and by tying bulbs in with special store promotions like dollar day sales, said Art Barsa, gmm, hard lines.

To bolster and even build sales, manufacturers are attempting to build excitement in the category by offering shrink-wrapped packages of bulbs and intense advertising campaigns.

Shrink-wrapping has been around for several years at wholesale warehouse clubs, but now the packaging is being offered to consumers. All three are offering bulbs this way but Sylvania has added a new twist.

Sylvania is packaging bulbs in varying wattages. For example, this fall it will offer one four-pack of 60 watt soft white bulbs with one four pack of 100 watt bulbs shrink-wrapped together and available in full pallets of 480 sku's and in one-quarter pallets of 40 sku's, said Sullivan. This offer is accompanied with a $2 mail-in rebate through June 1988.

Other variable-wattage packages are coming, he said.

GE has shrink-wrapped three four-packs of soft white bulbs with a $1 mail-in rebate which became available on July 1. And in September GE will debut a four-pack of bulbs with a 20 cents instant coupon.

Philips is concentrating its efforts on promoting its higher-priced longer-life bulb line and in distinguishing itself from its competition, said Jerry Preyss, vp, marketing operations. In fact, Philips' now popular TV ad characters, like the "soup couple", are being incorporated into in-store header displays, said Preyss.

Designed to Sell!
Powerful new packaging excites p-o-p action!
All this is coordinated into a proven Good, better, Best program that steps up sales at all price levels.
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SUPER MASTER
FLEX PRENE
SUPER FLEX
FLEX MASTER
ALL-SEASONS
TIRE CORD Reinforced

Longer Life and Alkalines Charge Up Discount Battery Market

By Richard C. Halverson
Nationwide DSN Report

The entry of Kodak into the battery market has forced all manufacturers to start looking over their shoulders, but so far the prominent film and camera maker has failed to crack the discount market in a major way.

That is the major development in the consumer battery market over the past year, as these trends solidify:

- A continued push for both longer run and shelf life;
- Alkaline is expected to continue to increase its share of the market at the expense of zinc carbon general purpose and heavy duty batteries;
- Given a nudge from producers of high-drain devices that chew up batteries, rechargeable batteries are coming into their own, growing at a rate of two to three times that of the overall battery market;
- Due to a trend toward smaller devices, such as miniature TV sets, the AAA is the fastest growing size;
- While still a high impulse item, batteries are becoming more of a shopping list item, with the rate of impulse buying declining to about 80 percent from 90 percent of purchases;
- Marketing batteries in multiple packs of sixes and eights continues to gain prominence.

Testing Kodak Batteries

So far, Kodak has failed to crack K mart and Wal-Mart, although K mart is testing Kodak batteries in its photo department. While Kodak has captured 2 percent to 3 percent of the overall retail market, primarily through food and drug outlets, its market share in discount department stores was 0.5 percent according to an A.C. Nielsen market share audit for March and April 1987.

Industry giant Eveready, which Ralston Purina bought last year from Union Carbide, slipped to a 53 percent share of all types of batteries—general purpose, heavy duty and alkaline—sold at discounters from 59 percent according to the Nielsen audit a year earlier.

Duracell picked up a point to 22 percent from 21 percent, Nielsen showed, while Rayovac gained 4 points to 16 percent from 12 percent.

All others, including imports such as Panasonic and private labels, increased to 8 percent from almost 7 percent, Nielsen found.

Industry estimates of annual growth in the retail battery market range from 6 percent to 8 percent, a growth rate expected to hold through 1989.

For 1986, the dollar value of the retail battery market came to $2.1 billion, a Rayovac study concluded.

Larry Morgan, marketing director for Kodak, claims that its entry into the market has prompted the industry to increase advertising by 50 percent and increase coupon efforts by 15 percent.

Mike Plautz, Rayovac marketing director, acknowledged that Kodak "has made the industry more competitive, offering more in-store promotions and rebates." He added, "Kodak is making everybody a little more conscious of promotions."

An Eveready spokesman said his company has increased its advertising budget but refused either to release details or to attribute the increase to new competition from Kodak.

Irwin Levine, sporting goods buyer for S.E. Nichols, New York, said he has seen an increase in consumer rebate programs from Eveready, one of two brands Nichols carries. Duracell is the other. "They're constantly running," he said.

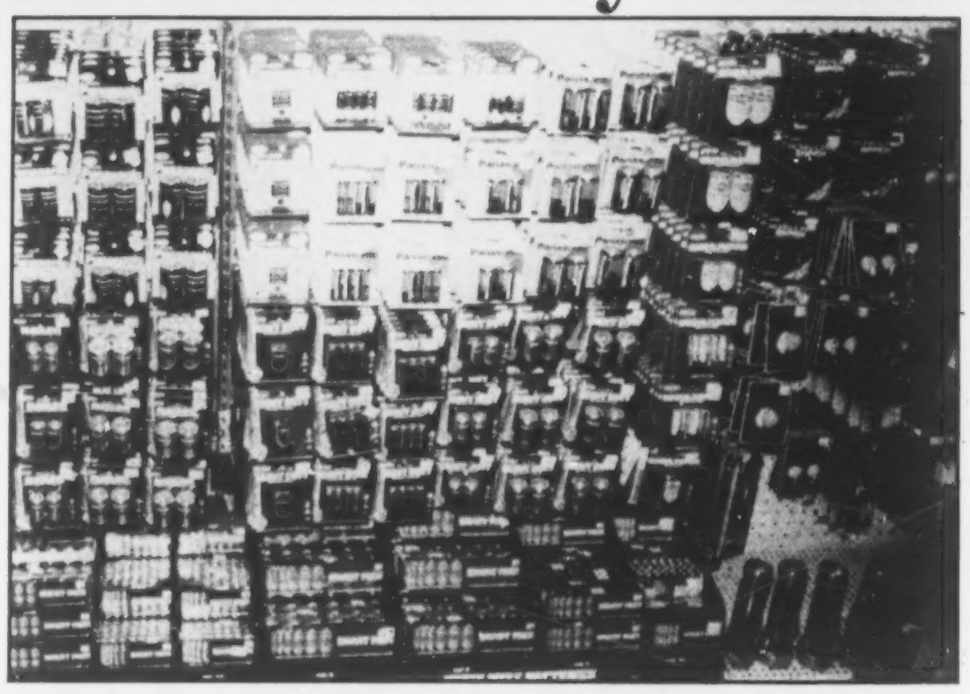
So far, about 6 percent of the nation's 7,000 to 9,000 discount stores carry Kodak batteries. Chains include Hills, FEDCO, Caldor, Rose's Stores, Fred Meyer and Meijer, Morgan said.

In March, Kodak became the first manufacturer to market a popular size lithium battery when it introduced its nine-volt unit. Kodak claims the battery will run twice as long as an alkaline battery and last for 10 years on the shelf, against two for lithium.

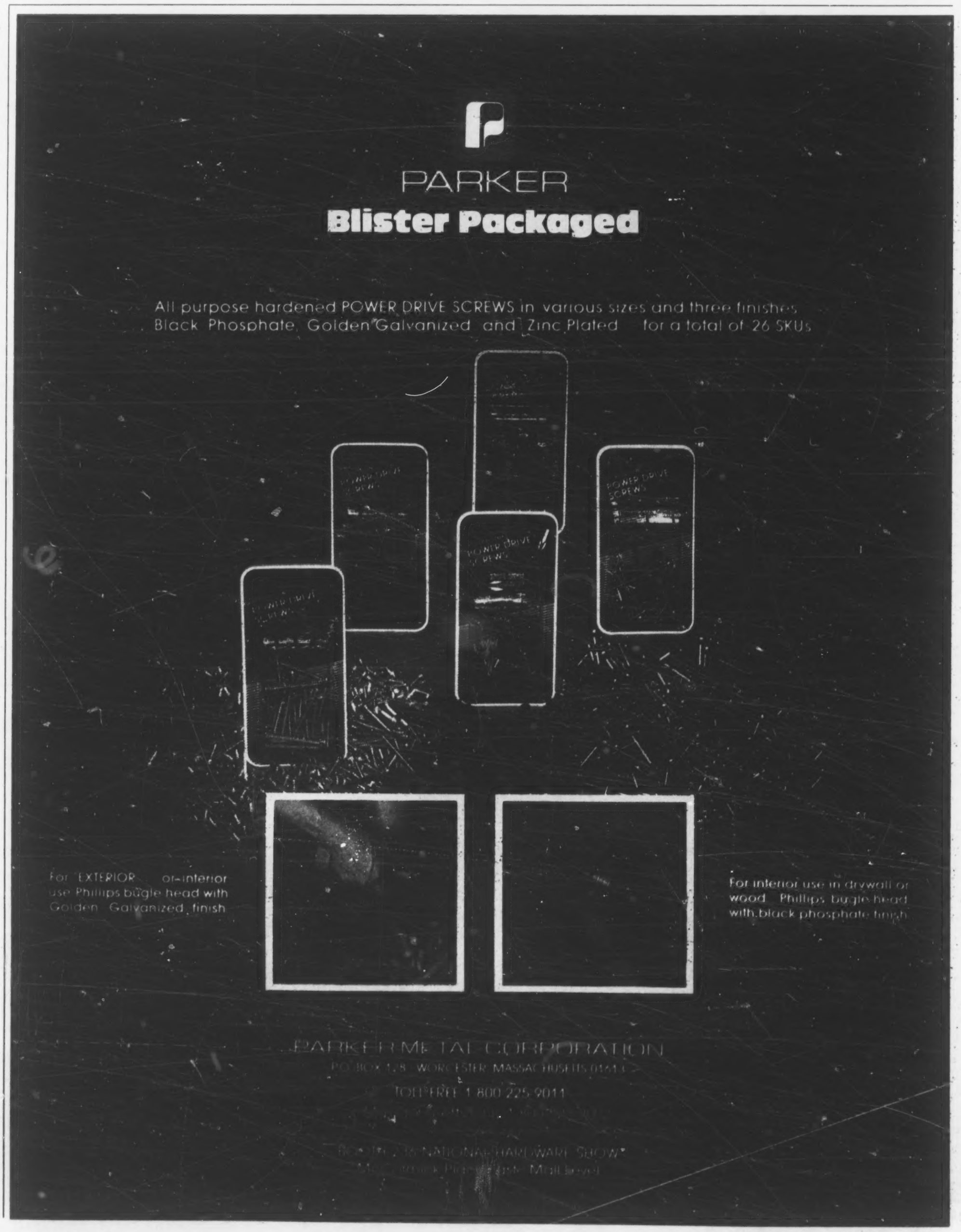
At full retail, a nine-volt lithium retails for about $2.99, compared to $1.79 [at K mart, for example] to $1.99 for alkaline, Morgan said.

Expected applications are for smoke detectors and garage door openers, where long run and shelf lives are particu-

(Continued on page 57)



A display of batteries at a K mart discount department store in Madison, Wis.: Action in the battery wars has shifted to who makes the longest life battery.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Longer Life and Alkalines Charge Up Discount Battery Market

(Continued from page 55)
larly important, Morgan said.

A new premium flashlight from Black & Decker, called Lite Years, comes equipped with the Kodak lithium battery. A one-cell battery retails at discount for about $9.99, while a two-cell light sells at discount for about $14.99, Morgan said.

At Nichols, Levine said his chain is looking at the Kodak program. The nine-volt lithium might sell well for smoke detectors, he said. "People hate to climb up a ladder every year to change batteries." To avoid that, they might be willing to spend $1.29 extra for a longer-life battery, he said. Nichols rejected the Black & Decker lithium-powered flashlight as too expensive.

George Kiel, a K mart battery buyer in sporting goods, said his chain considered the B & D lights but also rejected them for now because of the high prices. But he said K mart almost would have to carry the Kodak lithium batteries, if it took on the Lite Years flashlight, because, "customers want to replace with the same batteries." Moreover, Kodak alkalines in the C, D, AA and AAA sizes could well ride into K mart on the back of lithium, Kiel said.

The Future of Alkaline

Kiel predicted that alkaline, which now commands a 60 percent share of the market, will become the general purpose battery of tomorrow because of the drive for longer life. Some other type of battery, perhaps lithium, will take over the longer-life, premium position that alkaline now occupies, he said.

"Whether lithium is the answer remains to be determined," Kiel said.

Eveready is introducing in August and September its version of the longer-life alkaline, Levine said. It will come in a new display card that claims it lasts 20 percent longer. Nichols will phase in the new Energizer alkaline as old stocks become exhausted. The longer-life version will be priced the same, he said.

Another new Eveready program, the Gift Mate, will carry a 20 cents premium for a pair of D batteries but no extra margin for discounters because its cost to them will be higher, said the Eveready spokesman. In gift two-packs, the batteries feature on their jackets one of eight gift motifs, such as white snow flakes on a green background for the Christmas season.

Levine said Nichols won't pick up on the Gift Mate line until closer to the Christmas season.

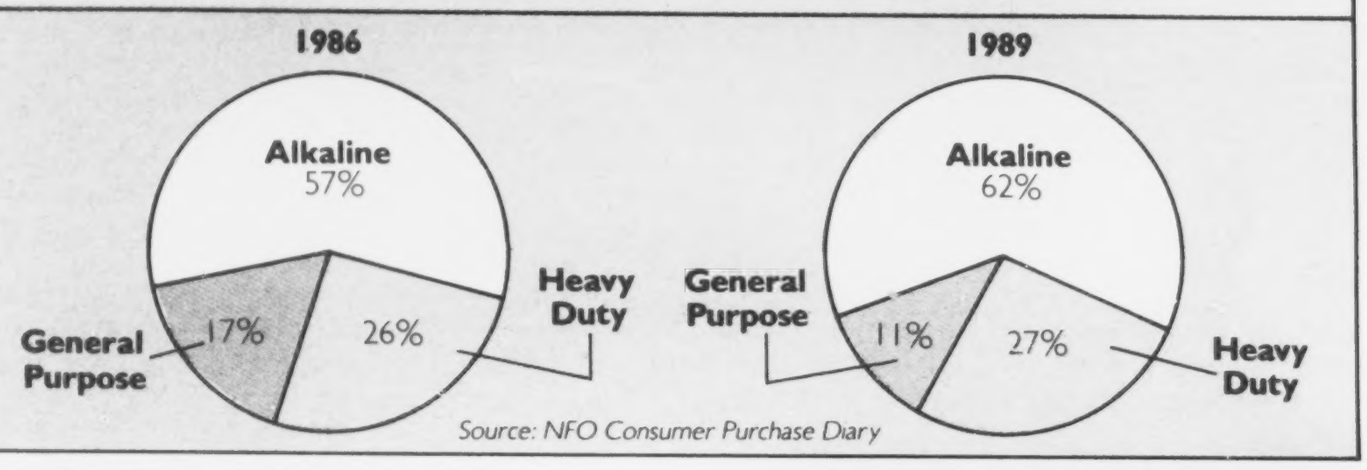
Following the lead of Rayovac, Kodak also is coming out with multi-packs, sixes and eights, Levine said.

For the first time, Eveready came out this summer with a multi-pack program that offered an eight-pack of D cells for the usual price of six, and a six-pack of AA batteries for the usual price of four. Based on initial success, Eveready plans to repeat what it calls the Bonus Pack program this fall.

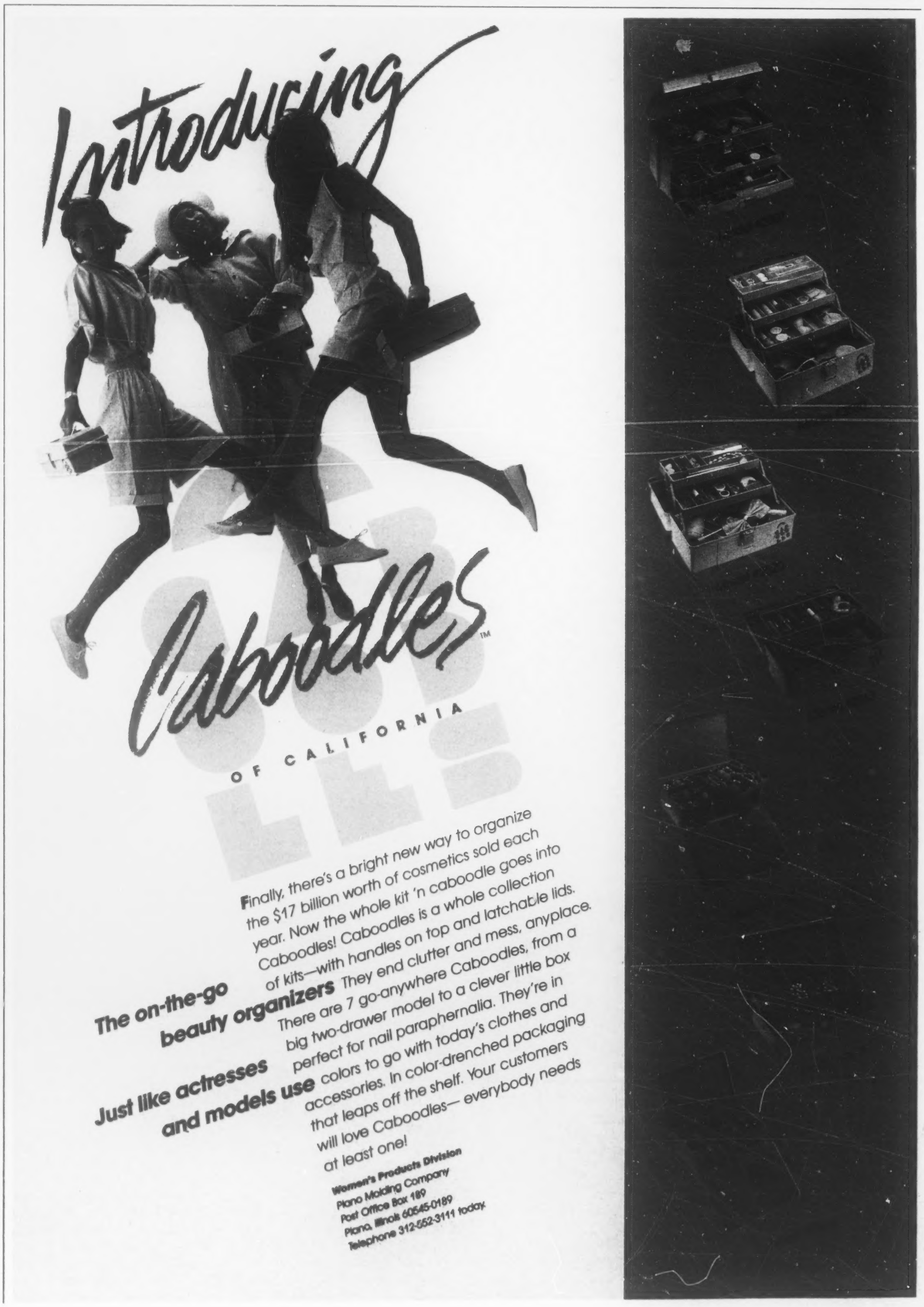
In a trend that runs counter to the push for longer life, rechargeable batteries are showing signs of vigor. From a small sales base of $150 million a year, rechargeables are growing at an annual rate that ranges from 15 percent to 30 percent, depending on manufacturer estimates.

Kiel said K mart is testing nickel cadmium Panasonic rechargeables, adding to its General Electric line.

The 1986-1989 Battery Retail Market by Grade



Source: NFO Consumer Purchase Diary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New Membership Club Throws Hat into Sporting Goods Ring

FORT LAUDERDALE, Fla. — Sports Authority, a new membership warehouse operation created by former Herman's officer Jack Smith, plans to open its first unit early this fall. The 40,000-square-foot facility, which will adjoin other warehouse-type operations like Home Depot, Office Depot and Builders Square on Route 441 in Fort Lauderdale, will specialize in a full range of sporting goods products and charge the general public $10 for membership privileges.

Smith, formerly executive vice president and chief operating officer of Herman's, the industry leader, left the company two months ago. He has already assembled his management group, which includes general merchandise manager Roy Cohen, formerly of toy retailer Child World; chief financial officer Chet Howard, formerly of Atlanta-based home improvement warehouse Home Depot; operations executive Dick Carter, from Zayre's home center warehouse HomeClub; and Alan Rose, from the defunct Service Merchandise warehouse chain Mr. HOW.

Smith said that Sports Authority is modeled on Price Club, the San Diego-based pioneer of the membership warehouse club concept. He said that Sports Authority will differentiate itself from other large sporting goods retailers by not carrying ski equipment and by concentrating heavily on bicycle and marine equipment. "We're planning to expand in the Sunbelt market," Smith said, "so we're going to stay away from winter-related categories."

Although the operation may someday look to the Northeast and West Coast, Smith has no plans to alter his product mix. "We're cutting the mold here, and future additions will come right out of the cookie cutter," he said, adding that the company is "not reinventing the wheel here," and plans to stick close to its original business plan.

Sports Authority plans to open "three to four" additional units over the next year or so, but Smith cautioned that "nothing is cemented yet." All expansion in the near future will be in the Southeast, which Smith said is open for "lots of growth. We plan to saturate our own market before we start looking elsewhere."

Soft goods will account for roughly 50 percent of Sports Authority's product mix, although, since the first unit hasn't even opened yet, that figure is approximate and could be subject to change. Customers, according to Smith, will come from the large group of Americans who "have $10 in their pocket and are still breathing."

Financing for the venture is being provided by a "large" group of investors, including First Chicago and Bessemer Securities. The first store opening is projected for the first week in October, dependent upon construction scheduling.

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Top Chains Battle for Dominance; Newcomer Clubs Present Challenge

Nationwide DSN Report

The battle for positioning and market dominance within the sporting goods industry has been heating up since last year, and latest developments suggest that the battle has just begun. The two largest chains, Herman's and Thrifty's various sports stores, have been devouring smaller regional operators—and seem to be looking for more.

At the same time, two relative newcomers, California's All-American SportsClub and Fort Lauderdale-based Sports Authority (see stories on this page), are high-volume power-retail concepts conceived with rapid growth as a key to success. Look for both to attempt to saturate their primary market areas, then go national.

They'll face tough competition from the major established forces in the market, Herman's and Thrifty Corp., both of whom have expanded rapidly over the past year.

Herman's, the industry leader with $630 million in 1986 sales, has added some 100 stores to its total in just over a year, 40 by acquisition of Utah-based Sunset Sports.

Thrifty, owner of Big 5 Sports Store of California, purchased Michigan (MC) Sporting Goods, (Niles, Mich.) and Gart Bros. (Denver, Colo.) over the last year, absorbing a total of 31 stores and $200 million in 1986 sales.

Each of those subsidiaries has expanded significantly since the acquistion, and each has in turn acquired other regional chains. MC recently bought three Chicago-area stores from Morrie Mages Sporting Goods and announced plans to build two more (of a scheduled 15 through 1988) in the Chicago suburbs of Lombard and Orland Park.

In late July, Gart Brothers purchased Stevens/Brown Sporting Goods, a two-store operation in Salt Lake City. Gart Bros. will retain the Stevens/Brown name for those units and announced plans to add stores under the Gart Brothers name in the same market sometime this year.

Oshman's, No. 2 in store count, recorded near flat totals for the year as its Oil Patch home base struggled through a recession.

George Walker, a spokesman for Herman's, made no secret of the fact that the company plans to become the first

(Continued on page 60)

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Warehouse Trailblazer Returns

Farrah Named Sportsclub President

(Continued from page 4)

industry. Sporting goods is far more upbeat and entertaining than the home center business."

In the short term, Farrah plans to fine tune SportsClub operations, to "clean up some areas." The company will alter its method of attracting customers, cutting back on mass media advertising to concentrate on direct marketing to schools, clubs, youth groups and recreational clubs.

The company plans to add three more units this year, then five more over the first half of 1988, for a total of 14. "We've identified 29 California locations we'd like to occupy before we move out of the state," Farrah said, adding that the first out-of-state opening will probably occur sometime in fiscal 1990. Arizona, particularly Phoenix and Scottsdale, may be the first market in a gradual Sunbelt expansion.

Farrah said that SportsClub has instituted a strong training program to generate the management staff it expects to need over the next few years. The company recruits managers from other warehouse operations, not sporting goods stores. "We're looking for people who have done a big job," Farrah said, noting that present store managers have come from Price Club, Home Depot and HomeClub. "After all, we project our stores to do between $12.4 million and $15 million; we need people who know how to deal with that kind of volume."

The company is "just finishing" a $20 million private financial placement, which Farrah said will keep the company expanding through the end of next year. "Then we're thinking about the possibility of going public," he said.

Farrah expects a little more conservative approach to growth, with a general refining and enhancement of product mix and departments—with the exception of apparel, with which Farrah said he's "relatively happy.

"Bob Casden joined us from Mervyn's recently, and we're very happy with the job he's doing," Farrah said.

Farrah answered questions about the increasingly competitive situation in large-scale sporting goods retailing (see story on this page) by comparing the operation to his experience with Home Depot.

"When we were about to open our first [home center] stores in Atlanta, we added up the total home center business in the market and asked how much of this will we have to take over to make a profit," he said. "We quickly realized that we couldn't make it even if we took three quarters of the market. We had to create new business.

"That's our approach at SportsClub," he continued. "We're not just a big Oshman's—we sell a whole package. We hold clinics to teach people about our products, and we're in the travel business, the camera business and in a lot of related areas."

Farrah illustrated his "small segment, big business" theory with the story of a golf club from Sacramento that arranged a trip to Mexico through SportsClub. "One day all 40 of them came in and bought everything from shoes to clubs to umbrellas. The result was a very large sale when we added it all up."

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SYLVANIA GTE

Newcomer Clubs Challenge Top Chains' Fight for Dominance

(Continued from page 58)
truly national presence in the sporting goods industry.

The national placement is particularly important in sporting goods not only because of increased buying power (Herman's probably has as much clout as it can usefully employ) and competitive advantage (which it already enjoys) but for a degree of weatherproofing.

A widespread store base will protect the company against the vicissitudes of the weather; a disastrously dry winter in the Northeast, for instance, can be offset by a good one in the Rockies.

Ed Tirello Jr., an analyst with Shearson Lehman, noted that Thrifty, while not truly national yet, is following the same strategy—successfully.

"Going national seems to be the key," he said, "and Thrifty has what the competition doesn't—cash flow." He added that it's a lot cheaper to expand by acquisition than by building from scratch, leaving the prospect of more Thrifty buyouts a likely proposition. Evidently, the company plans to buy up small local chain operations in or adjacent to markets it can easily control from one of its subsidiaries—and to acquire through its subsidiaries to keep its national profile low.

Sportmart has pioneered the warehouse format in the sporting goods industry. While not at the level of a Sam's or Price Club, Sportmart (average store size 35,000 square feet, average store sales around $10 million) is credited with adapting the concept to sporting goods retailing. All-American Sports-Club and Sports Authority will expand that concept over the next few years.

However, no concept, no matter how good, can sell much without products to sell, and there are several problems facing sporting goods retailers. Not the least of those is pending protectionist legislation intended to cut back on America's balance of trade deficit by restricting imports from debit-inspiring trade partners like Japan and most other Oriental countries.

The result could be a rapid escalation of price in several key sporting goods areas, including camping equipment, bicycles, athletic footwear and apparel.

Part of the attraction of the sporting goods market is the public's perception of value. Sales skyrocketed in the late '70s and early '80s because, in part, prices either plummeted or held very steady during a period of high inflation. The result is that a tent that may have retailed for $79 in 1975 dollars may cost as little as $30 in inflated 1987 dollars, a clear bargain.

The proposed legislation could wipe out much of that advantage by forcing less expensive products out of the market. Given a choice, exporters like Japan will choose high-price, low-cost items like electronics and computer goods over more labor-intensive goods like tents to fill their quotas.

Jeff Grey, a Sportmart executive, sees the resulting localized inflation as threatening to the industry. "A three-person tent at $29 might be selling for $39 or $49 by next year," a worried Grey said.

The industry also must deal with flat sales brought on by the lack of any new hot category. Specifically, exercise equipment, previously the growth darling of the industry, has flattened and nothing has stepped in to take its place. Herman's Walker noted that "the whole industry is waiting" for a new market direction, but none has appeared.

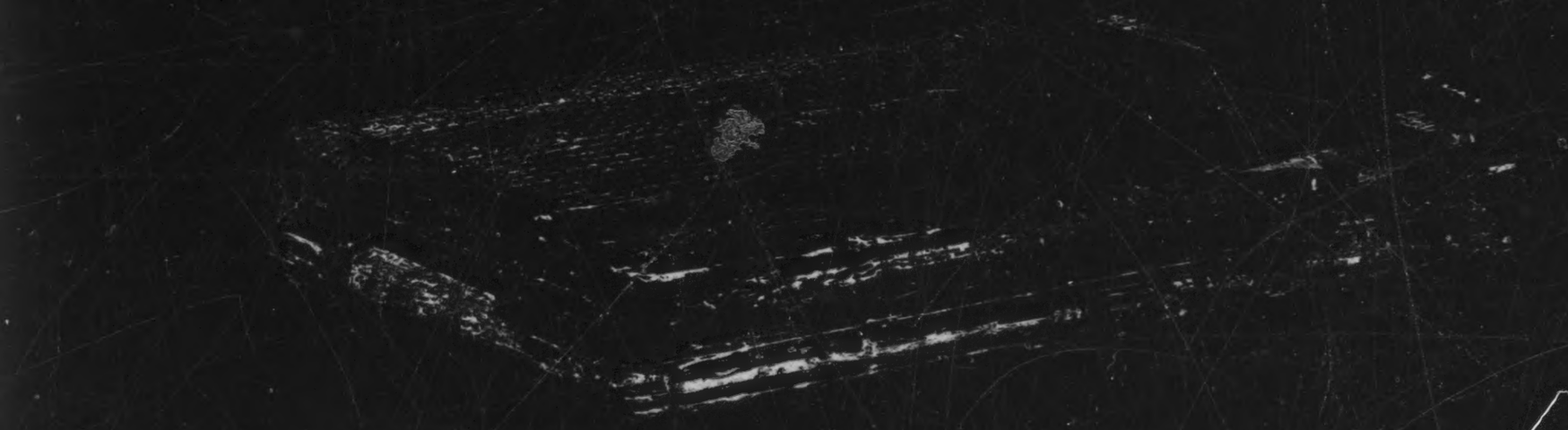
Top Sporting Goods Specialty Chains

Chain	Sales (In Millions) 1986	Sales (In Millions) 1985	Percent Change	Number of Stores 1987	Number of Stores 1986	Average Store Size (In Sq. Ft.)
Herman's (N.J.)	$630	$420	50%	208	131	10,000
Oshman's (Tex.)	323	312	9	214	209	10,000
Big 5 (Calif.)	190	175	10	94	89	NA
Sportmart (Ill.)	141	129	10	15	12	35,000
Sunset Sports (Utah)	120	116	3	38	40	10,000
Dave Cook (Colo.)	64	62	3	17	17	NA
Gart Bros. (Colo.)	60	54	10	16	15	20,000
Michigan Sporting Goods (Mich.)	45	42	7	24	16	NA
Academy (Tex.)	39	37	5	20	20	NA
Irving Sports (Va.)	18	17	5	18	18	NA

Sunset was acquired by Herman's in August 1986.
Thrifty Corp. owns Big 5, Gart Bros. and Michigan Sporting Goods (total 134 stores).
NA—not available

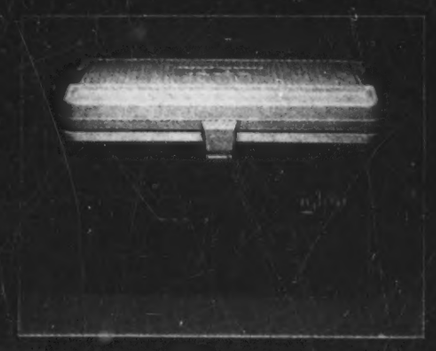
Source: DSN research

Igloo... the best choice



Over the years retailers have recognized there is something special about selling Igloo ice chests. Sure, Igloo is America's leading brand of ice chest. And, of course, the Igloo 48-quart "Plus 4" holds the cold up to 37 longer than the competition.

But, the real benefit of selling an Igloo is knowing that every time consumers purchase Igloo they've made the best choice.



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